

Settling In: Newcomers in the Canadian Housing Market, 2001 – 2005

INTRODUCTION

This study updates previous work¹ that examined data from the first wave of Statistic Canada's *Longitudinal Survey of Immigrants to Canada* (LSIC) in conjunction with special tabulations from the 2001 Census. That study found that the degree of homeownership attained by immigrants just six months after landing in Canada was impressive. This study examines the following issues using data from the three waves of the LSIC:

- Is there evidence that newcomers to Canada build on this initial success to create a progressive housing career?
- Which groups are experiencing a greater degree of progression in their housing situation, and which groups are not?
- Are there systematic differences between European-origin and visible minority immigrants in the housing market?
- If so, are these consistent across Canada or specific to certain places, especially the three largest immigrant reception centres of Montréal, Toronto and Vancouver?
- How much do the housing careers of immigrants landing in these three cities differ?

DATA SOURCES

The Longitudinal Survey of Immigrants to Canada as a source of information

LSIC is a longitudinal survey with three waves of questionnaires taken approximately six, 24, and 48 months after landing in Canada. It covered the period 2001 to 2005. LSIC contains several key variables that are not available in the Census, notably the admission class of immigrants, the identification of difficulties experienced while looking

for housing and, perhaps most importantly, LSIC is a longitudinal survey with three waves of questionnaires taken approximately 6, 24, and 48 months after landing in Canada

LSIC therefore provides new information on the entry of immigrants into Canada's housing market. There are limitations to LSIC, especially related to the sample size of the survey and attendant data suppression to protect respondents' confidentiality. LSIC provides data on individuals, not households, which means that it cannot be used to answer some particularly important questions on the relationship between income and housing expenditure. Nevertheless, LSIC provides a rare glimpse into the dynamics of housing consumption of newcomers in their early settlement process. LSIC has some important advantages for studying the experience of newcomers in Canada's housing market. The master file of LCIS has been made available to Canadian researchers by Statistics Canada, in its system of Research Data Centres. This enables flexible, iterative research, in contrast to the expensive extraction of special tabulations from the Census.

FINDINGS

Household Size

According to the 2006 Census, there are 2.5 people in the average Canadian household. Newcomers live in much larger households, with an average of between 3.6 and 3.7 persons over the first four years of settlement. This reflects the age and life cycle characteristics of immigrants and economic imperatives. The latter point is most clearly seen in the ratio of LSIC respondents living in composite households (defined as those with non-related members beyond the nuclear family, which could include a family with boarders, or two or more families in the same dwelling), which is much higher than in the Canadian population as a whole.

1 "The Housing Situation and Needs of Recent Immigrants in the Montréal, Toronto, and Vancouver CMAs", (2007) CMHC Research Highlight, No.65682

Labour Market Integration

The first-wave survey of LSIC was taken at around six months after immigrants landed in Canada and represents an early moment in the settlement process. Relatively few newcomers had found work (half of those associated with the Skilled Worker program and much less for other admission classes) and average employment earnings were quite low. Family income levels were also low and many relied upon their savings or, especially in the case of refugees, social assistance, to pay for housing. There was a marked improvement in labour market participation and employment earnings between the first and second waves of the survey, and again by the third wave.

By the termination of the survey, about 68 per cent of respondents were in the labour market and the average total family income was around \$53,000. This compares with a 2006 Census figure of \$62,300 for all Canadian families for income received in 2005,² the same year as the final wave of LSIC. Although newcomer family incomes are not that far below those of Canadians generally, it is important to remember that immigrant families are typically larger than the average Canadian family. Nevertheless, the substantial rise in individual and family income figures means that there was a marked increase in the purchasing power of newcomers over their first four years in Canada.

Homeownership

Much of this purchasing power was dedicated to housing. The ratio of LSIC respondents owning homes jumped from less than one in five at the time of the first-wave survey to more than half by the third wave. It should be noted that this trend towards ownership occurred at a time of escalating prices. Real estate data show that average rents in Canada more or less kept pace with inflation over the period covered by LSIC (2001–2005), but house prices rose substantially in real terms.³ As more newcomers purchased homes, the proportion living in apartments fell while those living in houses of various types rose.

In an effort to better understand the factors leading to this outcome, a special longitudinal analysis of ownership data was conducted. Demographic characteristics were important, with respondents in the 35–54 age group most likely to purchase a home, especially in the interval between the first and second waves of LSIC. Also, newcomers living in composite households (that is, with a nuclear family plus others) had a high propensity to own a home by the time the first wave of the survey was taken, but that this strategy did not lead to higher rates of ownership acquisition after that. Quite the opposite

happened, whereby multiple-family households had above-average rates of ownership loss over the course of the survey.

There were profound differences in ownership dynamics across landing classes. Individuals admitted to Canada through the “Family Class” and those classified as “Other Economic” (mainly “Business-Class”) immigrants already had high rates of ownership recorded in the first wave. In the former case, this likely reflected the fact that these newcomers joined existing households in Canada who sponsored them while, in the latter, the transfer of wealth to Canada was probably decisive.

Over time, “Family Class” immigrants were unable to turn this initial advantage into a high rate of ownership acquisition (that is, “Family Class” tenants were more likely than average to remain in the rental market), while those in the “Other Economic Class” continued to increase their rate of ownership consistently over the subsequent two waves of the survey.

Those entering Canada as “Skilled Workers” overwhelmingly started their life in the Canadian housing market as tenants. However, their propensity to purchase a home was the highest of any group, and they had the lowest rate of ownership loss over the course of the survey of any group as well. As might be expected, “Refugees” had the lowest rate of ownership in all three waves of the survey, an outcome that was associated with below-average earnings and family income.

In general, educational attainment was not strongly associated with ownership acquisition, as was also the case for the language variables included in this analysis. Similarly, the variables selected to represent social capital and the attitude of immigrants (that is, their satisfaction with Canada) were not highly correlated with change in ownership.

Crowding

Given the limitations of LSIC, a single variable was selected as a proxy for the adequacy of housing inhabited by newcomers: the degree of crowding, measured by the proportion of respondents living in homes with more than one person per room. It is clear that immigrants are much more prone to live in crowded circumstances than the Canadian population generally, though the proportion in this category fell from about one-quarter in the first wave to 15 per cent by the end of the survey. Still, it seems clear that many newcomer households are trading access to space for the prospect of homeownership.

2 The annual reported income is for the previous year, i.e., 2005 for the 2006 census

3 i.e., after taking general inflation into account

Housing Affordability

The analysis of affordability of housing for newcomers was confined to tenants. As would be expected given the income data reported earlier, the income reported by survey respondents in the first wave was insufficient to provide housing and other needs. In fact, nearly three-quarters spent more than 30 per cent of their monthly income on housing, and half spent more than half of their income on housing. The change in access to affordable housing for newcomers over the 18 months between the first and second waves can only be described as remarkable. Given the substantial rise in average incomes over this period, the proportion living in affordable housing (less than 30 per cent on rent) increased from a little over a quarter to fully half by the second wave of the survey. This trend continued from the second to third wave of LSIC, though not quite as spectacularly as in the earlier interval.

Data on difficulties finding housing are consistent with the larger picture described thus far, with a pronounced decline in the number reporting problems such from approximately 30 per cent in the first wave to 14 per cent in the second wave and eight per cent in the third.

The Differential Housing Careers of Landing Classes

Differences in the acquisition of homeownership across landing classes have been discussed above. More broadly, “Family Class” immigrants were by far the most prone to reside in multiple-family households, which was associated with a rapid path to homeownership by the first wave of LSIC though, as noted, their rate of ownership acquisition after that lagged behind other groups. “Family Class” immigrants also were associated with above-average rates of crowding. Still, the advantage of pre-existing social networks upon arrival to Canada, plus the tendency toward large households meant that this group experienced the fewest problems finding housing. Also, tenants who were admitted through the family program were the least likely to face affordability problems.

“Skilled Workers” were more prone to live in nuclear families (as opposed to composite households). Few owned homes at the time of the first wave, but their subsequent rate of ownership acquisition was particularly high. At the outset, many “Skilled Workers” experienced difficulty finding housing, but this figure declined rapidly across the survey waves. There was also a great deal of improvement in the degree of housing affordability for this group, and only a small proportion lived in crowded circumstances.

Respondents associated with the “Other Economic Class” brought substantial wealth to Canada and tended to invest in housing quickly.

Their rate of ownership acquisition was also relatively high. Very few lived in crowded housing or experienced problems finding housing. However, the small number of tenants in this category were highly pressed financially, with the highest rent/income ratio of all groups.

The situation of “Refugees” in the housing market echoes the great challenges that most refugees face in their integration into Canadian society. Their income levels are typically low and the overwhelming majority cannot afford to buy a home (though by the third wave this ratio had begun to rise towards 20 per cent). They face the most crowded circumstances, are the most likely to experience problems when looking for housing, and over half of the tenants within this group dedicated more than 30 per cent of their income to housing in the third wave.

Ethnocultural Groups

Income levels were certainly higher among those of European origin, but this did not translate to significantly higher rates of homeownership, in part because the size of households of immigrants in this category tended to be small. The largest distinctions between these broad groups could be found in the variables that proxy experience in the housing market related to housing quality, and affordability. In all three cases, newcomers who identified a European origin were in a more favourable situation throughout the three waves of the survey. There is clear evidence, therefore, of ethnocultural differences in the housing market, but these do not extend to all aspects of housing consumption.

The analysis showed substantial differences among self-identified visible minority groups. The most striking of these are the extraordinary degree of homeownership among South and Southeast Asian⁴ respondents, vs. poorer housing conditions of West Asian (including Arab) and black respondents who reported a high incidence of difficulties locating housing.

Metropolitan Specificities

In many ways, there is no Canadian housing market in the sense of a unified set of prices and consumption patterns across places. This is abundantly clear when we examine the situation of newcomers in the housing markets of Montréal, Toronto, and Vancouver.

Montréal has the most affordable housing market, but the immigrant population there has the least ability to pay for housing, given lower rates of labour market participation and the fact that few bring capital with them when landing in Canada. So there is a kind of alignment in the Montréal market, with lower ability to pay and lower levels of

4 All ethnic/cultural terms used in this report, e.g., white, black, Asian, are derived from the LSIC questionnaire.

rent, and lower housing purchase prices as well. Few can or do take advantage of these lower purchase prices (compared with Toronto and Vancouver), and most newcomers remain in the rental market through their first four years of settlement. Moreover, immigrants who are tenants in Montréal (which is some 78 per cent of the total surveyed population) face serious affordability challenges, although crowding is not prevalent.

Toronto has the most challenging housing market for tenants and purchase prices that are far above the national average. On the other hand, Toronto appears to have offered newcomers the best economic opportunities of the three centres. Newcomers adjust to the Toronto housing market through combining forces into larger households. Members of several visible minority groups, most notably newcomers from South Asia, are at the forefront of the trend towards large households and owner-occupied housing, often in crowded circumstances. Turning to tenants, the rent/income ratio was slightly lower in Toronto than in the other two cities.

The rental market in Vancouver is slightly cheaper than that of Toronto, but income levels for immigrant families are lower, so issues of affordability loom large. Remarkably, although house prices are much higher in Vancouver than anywhere else, including Toronto, some 55 per cent of newcomers have managed to purchase a home in the four years covered by LSIC. As in Toronto, this process is often facilitated through a multi-family strategy, and is associated with crowded dwellings. However, the particularly large number of business-class immigrants in Vancouver means that many families purchase housing using transferred capital, despite low earnings and aggregate family income.

CONCLUSION

Our study reveals some of the contours of a highly dynamic engagement of newcomers with the Canadian housing market during the first four years of their settlement. The most significant story is the remarkable improvement in the housing circumstances—by several relevant criteria—over the period covered by LSIC (2001–2005). The rate of homeownership acquisition was particularly significant and speaks to the impact of immigration in the Canadian housing market. Clearly, there is a impact in housing demand (and, we would speculate, price), given the large and rapid investment on property shown in the data.

This favourable outcome was not universally experienced, and a number of newcomers continued to struggle with problems of affordability, crowding, and difficulties finding housing even in

the third wave of the survey. There are several groups who experience such problems more consistently than others, notably “Refugees” and immigrants self-identifying as black, Arab, and West Asian.

The progressive housing career identified at the first wave of the survey prevailed for a large number of immigrants through the second and third waves. The degree of improvement in housing circumstances continued to vary a great deal by group, a fact that was associated with the broad distinction between European and visible minority newcomers, but also more complex than such a simple categorization could ever capture.

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